

**ACCOUNTING EXAMINING BOARD
MINUTES
MADISON, WISCONSIN
MAY 18, 2001**

PRESENT: Frank Probst, Roman Jungers, Frederick Franklin, and Thomas Kilkenny,

EXCUSED: Sharon Hamilton, Jim Johnson

STAFF PRESENT: Alfred Hall Jr., William Dusso-Legal Counsel; Grace Schwingel, Jan Bobholz, Darwin Tichenor-Exam Office

GUESTS: Bart Adams - WICPA
Bill Sherry - WICPA,
Arland Stone - WAA

CALL TO ORDER

The meeting was called to order at 9:10 a.m. by Frank Probst, Chair. A quorum of four members was present.

AGENDA

MOTION: Roman Jungers moved, seconded by Thomas Kilkenny, to approve the agenda as printed with the addition of AB 177 which Alfred Hall added to the agenda for discussion. Motion carried unanimously.

Frank Probst indicated that the two-fold objective this morning was to communicate to the Board the two modifications in the proposed legislation and what the board's response to those potential changes might be and, secondly, to receive the results of Alfred Hall's survey of the respective states regarding the rules for implementation of peer review.

MINUTES (3/16/01)

MOTION: Thomas Kilkenny moved, seconded by Roman Jungers, to approve the minutes as submitted. Motion carried unanimously.

ADMINISTRATIVE REPORT

Secretary Oscar Herrera

Secretary Oscar Herrera introduced himself to the Board and gave the Board a review of his professional background. The Board members introduced themselves to Secretary Herrera, giving him a brief overview of their professional backgrounds as well. Secretary Herrera told the Board members he appreciated their dedication and the very fine work they are doing for the state of Wisconsin and that he is looking forward to working with them.

Bureau Directors Report

Nothing to report.

Board Roster

The Board received a copy of the 2001 Board roster. It was noted that Sharon Hamilton was incorrectly listed as a public member. Sharon Hamilton serves as one of the five professional members of the Board. The Board has two public member positions - Roman Jungers, and the other public member position is vacant at this time.

2001 Meeting Dates

The Board received a copy of the 2001 meeting dates. Roman Jungers indicated he would not be available for the next Board meeting on August 17, 2001

Regulatory Digest Articles for 9/01 Publication

The Board determined the following articles would be in the upcoming digest:

- Computerization of Exam (DarwinTichenor).
- Explanation of Experience Requirement- standard administrative code summary based on the analysis and the status of the rule itself. (Alfred Hall/Katharine Hildebrand).
- Contingency fees (Bill Dusso).
- Name Relief for Sole Proprietors- when is it permissible to use the term associates (Bill Dusso).
- When a Firm Needs to be Licensed (information to be taken from the 3/16/01 minutes Alfred Hall/Katharine Hildebrand).
- Formation of an Advisory Committee , Informational Scope Statement (Alfred Hall/Katharine Hildebrand).
- The criteria for 24 semester hours of business related courses. (Alfred Hall/Katharine Hildebrand).

3/16/01 Meeting To-Do List

1. Bill Dusso will respond to Mr. Rocky Cummings' letter on interstate practice.
2. Barb Showers will schedule a tour of the Whitney Way Test Center for board members on August 17. It was suggested that we put this tour at the end of the agenda; 2 hours should be allowed for the tour and travel time. The next meeting will be August 17; the Board will start the tour at 11:00 a.m. Frank Probst, Fredrick Franklin, and Thomas Kilkenny will attend the tour. Roman Jungers will probably not be able to make the August tour or the August meeting. Alfred will check with Jim Johnson and Sharon Hamilton to see if they would like to attend this tour as well and will let the Office of Exams know how many board members will attend the tour.
3. Bill Dusso will work on the legislative amendment for adoption by reference.
4. Correct Board Roster

Summary Reports on Pending Court Cases, Disciplinary Cases and Administrative Rules

Bill Dusso reviewed the monthly Administrative Rules Report and the Timelines Report. The Timelines Report is the result of an Ad Hoc Committee the former Department Secretary had authorized relating to the disciplinary process and how the Department and the boards can speed up the process of handling complaints. The Department developed the Timelines Report which tracks a case from the filing of a complaint against a licensee through the proposed decision.

Bill Dusso reported that Secretary Herrera has indicated the Department will issue one press release each month that summarizes all the disciplinary actions taken by all of the boards. The information is also on the Internet and anyone can request more information on any of the cases listed in the press release.

To-Pass Folder

The To-Pass Folder information was noted.

LEGISLATIVE ISSUES

2001 Assembly Bill 345 re: Licensure of Certified Public Accountants and Accounting Firms

Analysis of 2001 AB 345, 5/7/01, Dusso

Bill Dusso reviewed with the Board what the statute would look like if AB 345 were enacted into law. Bill also reviewed the questions he had asked Attorney Michel Vaughan concerning the version of the set of standards that would be used and how people who might be interested in it would find it.

Mr. Dusso raised these questions because these are the types of questions the Board regularly gets asked when trying to incorporate standards in the administrative rules and also because of difficulty in attempting to find the most recent version of the AICPA ethics code. The most recent version is on the Internet; there isn't a printed version that has everything included. Right now the Board is dealing with the 2000 version of these standards, which is the most recent printed version available since these standards are printed once a year. This concern was resolved by an amendment drafted by Mike Vaughn which would authorize the Board to promulgate rules adopting, by reference, the statements on auditing standards issued by the Auditing Standards Board of the American Institute of Certified Public Accountants. Bill Dusso distributed a handwritten draft of this amendment to the Board.

Bart Adams indicated that the sponsors of the bill are supportive of including this amendment to the bill. It would be the Board's responsibility to indicate in a rule, the specific standards that are in effect at any specific time. Bill Dusso will work on the rule, to have the standards adopted by reference. Bart Adams summarized another proposed amendment related to compilations which specifically states that a non-licensed individual would not be prohibited from issuing compilations; both of these concepts will be adopted by the bill's sponsors.

MOTION: Frederick Franklin moved, seconded by Romey Jungers, to endorse the proposed amendments adding adoption by reference of the current standards and the expansion of compilation to unlicensed professions. Motion carried unanimously.

ADMINISTRATIVE RULES

Public Hearing re: Proposed Rule Relating to Experience in Public Practice

Alfred Hall stated that the Clearinghouse Rule 01.047 relates to experience in public practice. He referred to the Notice of Public Hearing, and noted that the hearing has been

scheduled for June 11, 2001, at the meeting of the Advisory Committee on the Code of Conduct.

Advisory Committee Update (6/6/01)

Nothing to report.

Rules Implementing Peer Review Requirement and Involvement of the WICPA in the Process

Alfred Hall reviewed his May 8, 2001 memo to the Board concerning his survey of states asking about their requirements for peer review and questions related to firm ownership to determine if there needs to be a majority of a firm's ownership that are CPAs.

The results of that investigation showed that the states that require peer review generally follow the AICPA model and that model does not require that the results of the review be reported to the respective boards. The Board supports peer review. The Board asked whether it is desirable to have the results of the peer review reported to the Board and whether there is a need to require verification that the peer review was completed successfully within the prescribed time frame as part of license renewal. Board members discussed their concerns that under the proposed legislation, the review report will be confidential between the reviewer and the firm being audited. Bill Sherry, a peer reviewer with WICPA, gave an overview of the different levels in the peer review process, including quality control and the costs involved in a peer review. Bill Sherry responded to concerns raised by the Board and indicated that if a peer reviewer finds evidence of illegal activity, that information does not have to be reported to the governing Board, with certain exceptions, noting that it is an educational process, not a punitive process.

Another issue raised was the Board's ability to investigate the process in the event of a complaint against the licensee or the peer reviewer. It was noted that the purpose of the peer review is to further the professional ability of the firm and the individual being reviewed. When the peer reviewer comes across a problem area, the cause of the finding is identified and appropriate suggestions are made on how to correct the finding. In the case of an adverse report, the financial statements involved in significant findings need to be reissued and the reviewer needs to see proof that they have been reissued. This would address some of the Board's concerns about fraud and related problems. When those financial statements are reissued, the client may need to give a revised financial statement to the bank and this is where an outside party, such as a bank, who is relying on these financial statements would have the ability to start a complaint with the Board if they felt there were problems with the finances of the company.

The Board accepted the intent of the Peer Review Process by consensus.

BOARD MEMBER ACTIVITY

Nothing to report.

AICPA/NASBA

"There has been a 2nd briefing paper issued by the computer implementation committee, a joint committee of the AICPA and NASBA. This paper summarizes the activities of that committee to date. The computerization effort has stimulated a great deal of discussion by a variety of interested public groups, including the National Association of State Boards and Accountancy. The resolutions passed by a variety of state boards indicate some concerns surrounding the computerization of the exam, leading NASBA to schedule, through one of its committees, a special meeting in Chicago on May 10, 2001. Dr. Barbara Showers, Director of the Department's Exam Office, attended the conference. Thomas Kilkenny and Frank Probst attended the conference, representing the Accounting Board.

Discussion followed referring to a memo from the AICPA, dated 5/16/01, and addressed to State Board Executive Directors. The Board discussed the results of the advisory votes at the May 10, 2001 Examination Conference, regarding questions on the costs involved in a computer-based exam; confidentiality of candidate information and the commitment to distribute only those elements of the information essential to the vendor's engagements, and the establishment of an implementation date for the computer-based exams. It was noted that the AICPA has contracted with an organization called Prometric to administer the exam and it is the desire of all of the jurisdictions that Prometric not be able to utilize any candidate information for any other financial gain for their company. However, it was also pointed out that in Prometric's annual report it says their strategic objective for success is that since they're the administrator of all the exams, they would use this information to sell exam prep courses.

Wisconsin delegates had voted against the establishment of an implementation date for the computer-based exams, because of the concern that the introduction of the exam could be postponed almost indefinitely until every detail had been handled satisfactorily. The Board wanted to ensure that the implementation would proceed in an orderly and timely manner and not be deferred for non-significant issues.

The next session will address issues concerning the contract and control of the exam -- how state boards of accountancy, with NASBA as their representative, can best maintain control of the exam process.

After a caucus at the May 10 NASBA meeting, the NASBA delegates voted to "Negotiate, through NASBA, on behalf of state boards of accountancy, to obtain and maintain control over the major elements of the computerized or paper-based examination, with NASBA being a party to the contract with AICPA, Prometric or others, as appropriate."

Examination Issues

Darwin Tichenor reported on the process used to assign school codes to candidates for the Uniform CPA Examination. The Board would like Darwin to follow up on this discussion at the next Board meeting on August 17, 2001.

RECESS TO CLOSED SESSION

MOTION: Thomas Kilkenny moved, seconded by Roman Jungers, to recess the Open Session and to convene the meeting in Closed Session pursuant to Sections

19.85(1)(a),(b), and (f), Wis. Stats., to consider licensure or discipline of a person licensed by the Board or the investigation of charges against such a person. Specifically, to discuss the issue of case status reports, case closings, monitoring issues, reinstatement requests, examination issues, deliberations on stipulations that may be signed after printing of the agenda, pending applications, and disciplinary proceedings. Motion carried by a roll call vote: Frank Probst – yes; Roman Jungers – yes; Thomas Kilkenny – yes; Frederick Franklin – yes.

Open Session recessed at 1:30 p.m.

The Board deliberated concerning pending applications.

RECONVENE IN OPEN SESSION

MOTION: Roman Jungers moved, seconded by Thomas Kilkenny, to reconvene the meeting in Open Session at 1:50 p.m. Motion carried unanimously.

APPLICATION REVIEW

MOTION: Frederick Franklin moved, seconded by Roman Jungers to accept the recommendations of the Board reviewer and staff to approve the following applications. Motion carried unanimously.

FOR REGISTRATION AS A CERTIFIED PUBLIC ACCOUNTANT

Applicants applied based on examination, transfer of credit from another state (identified by #) and endorsement of license from another state (identified by *)

1. Approved - 43

ARNOLD, MICHAEL E
BASHAW, JOHN J
BIRNER, JASON T
BLUSKE, JOAN K
BUONO, JOHN *
CHINGWAY, TAMMY L
CHWALA, TARA L
CLARK, JENNIFER L
DIESCH, RICHARD R
DODGE, AMY S
DOUGLAS, ANNE M
DUBORE, KIMBERLY A
ENGBLOOM, ERIC P
FITZGERALD, MICHAEL A
FLANNERY, ARLEEN
GERSTNER, ORA L
HARTMAN, RACHEL
HARWOOD, KATHARINE A
HEAD, JEANETTE L
KARCZ, KATHERINE A
KELESKE, DAWN M
KENNEDY, STACY E
KERSTEN, LINDA M

KNUTSON, JEFFREY S
KREN, JOSEPH M
LARSON, STEVEN D *
LEGOIS, TIMOTHY J
MIGLIACCIOK, ANTHONY
MONTGOMERY, TROY D
MORTENSEN, NICOLE C
MUELLER, VICKI L
PETERSON, KIRISTI L *
RUSSELL, MATT R
SALSMAN, SANDRA K
SCHINKE, SHEILA M
SCHMIDT, FRED H
SHEBEL, DIANA L
SORLEY, JANE F
STEVENS, JENNIFER A
TANNER, ROBERT
THOMPSON, JASON T
WATSON, MARY K
YIP, JESSICA W

2. Intent to Deny

AUMANN, GLENN
SMART, MELANIE

MOTION: Roman Jungers moved, seconded by Fredrick Franklin, to issue an intent to deny and request additional information on the two applications listed above. Motion carried unanimously.

MOTION: Thomas Kilkenny moved, seconded by Roman Jungers, to deny the application of Scott H. Manthey. Motion carried unanimously.

MOTION: Roman Jungers moved, seconded by Fredrick Franklin, to reaffirm the following applications for public accounting, based upon staff delegation. Motion carried unanimously.

FOR REGISTRATION AS A CERTIFIED PUBLIC ACCOUNTANT

The following applications for public accounting were issued a credential based upon Staff Delegation. Applicants applied based on examination, transfer of credit from another state (identified by #) and endorsement of license from another state (identified by *)

1. Approved – 44

ANDERSON, SHAUNA 3/26/01
BALCERZAK, CHRISTOPHER 5/02/01
BARRY, JOHN 5/09/01
BASLER, STACIE 5/09/01
BEARDLSEY, LORRI 5/09/01
BLUM, SANDRA* 5/09/01
CLIFFORD, THOMAS* 3/26/01
CURRAN, NICHOLAS 5/04/01
DITTMAN, STEVEN 5/2/01
DONOVAN, STACEY 5/2/01
DREIER, CHAD 5/01/01
DUSHACK, KENNETH 5/09/01
FLORES, MAYRA 4/25/01
HEATON, SUSAN 5/17/01
JERDE, AMANDA 3/26/01
JOHNSON, CHAD 4/25/01
JOHNSON, KURT 5/15/01
KASTEN, AMY 4/13/01
KOEHLER, JASON 3/29/01
KOENIG, CHAD 3/29/01
KULASA, MATTHEW 5/02/01
LARSON, SEAN* 3/26/01

LAVECK, JOHN 3/26/01
LIM, SAU HA KARIAN 5/15/01
MAUER, JEREMY 05/02/01
MEINECKE, CHRISTOPHER 04/25/01
MILLARD, VICKI# 04/25/01
MOSTECK, GREGORY 03/26/01
NACE, CAROL 05/02/01
OTTO, BRENT 04/13/01
PETERSON, GLENDON 05/15/01
POTH, JOHN* 04/13/01
PROCHASKA, AARON 05/04/01
ROBINSON, TRAVIS 03/26/01
SCHENKELBERG, WILLIAM* 04/17/01
SEVERSON, DONNA 03/26/01
STADLER, JOEL 05/02/01
TARTER, BARRY 05/09/01
THEYERL, DEANNA 05/02/01
TIMM, CHRISTOPHER A 03/26/01
TORNEHL, TOBIN 04/13/01
TOTZKE, RICHARD 05/15/01
WILTERDINK, GREGORY 05/02/01
WORTHMAN, AARON 05/04/01

MOTION: Roman Jungers moved, seconded by Thomas Kilkenny, to adjourn the meeting at 2:00 p.m. Motion carried unanimously.